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IN THE

Supreme Court of the United States

October Term, 1966

No. 811

STATE LOAN AND FINANCE CORPORATION,

Petitioner,

v.

THE AMERICAN PLAN CORPORATION,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION

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Opinions Below

The opinion of the Court of Appeals (36-37p*) is reported in 365 F. 2d 635. The oral opinion of the District Court (21-27p) is unreported.

* References to the Petition for Certiorari herein are numerals followed by "p"; references to Appellant's Appendix in the Court of Appeals are numerals followed by "a"; references to Appellee's Appendix in the Court of Appeals are numerals followed by "b".

Jurisdiction

The judgment of the Court of Appeals (38p) was dated and entered September 7, 1966. An order denying a petition for rehearing was dated and entered October 4, 1966. The jurisdiction of this Court is invoked under 28 U. S. C. §1254(1).

Questions Presented

1. Whether the District Court acted properly in granting petitioner's motion pursuant to FRCP 41(b) at the close of respondent's case to dismiss this action for failure to establish a right to relief.
2. Whether the name "American Plan Corporation" is (a) geographic or descriptive, so as not to be entitled to protection without proof of secondary meaning, or (b) fanciful or arbitrary, so as to be entitled to protection without such proof.
3. Whether, if such proof of secondary meaning is required, respondent offered sufficient evidence thereof.
4. Whether, where names are identical, less proof of likelihood of confusion is required than where the names are merely similar.
5. Whether respondent offered sufficient evidence of likelihood of confusion in view of the identity of names.
6. Whether respondent is entitled to relief where 145 of petitioner's subsidiaries bear respondent's name and are in competition with respondent's customers.

Statement

Petitioner's statement (3-8p) omits one of the most important facts in this case: petitioner's subsidiaries are in the same business as respondent's principal customers and potential customers, to wit: lending to the consuming public. Both courts below so found. District Judge Steel said:

> "Its [respondent's] business is primarily performing a service for institutions in the consumer credit business. These are primarily lending institutions • • • (22p).
>
> "The plaintiff [respondent] does not solicit the insuring public but confines its solicitation operations to financial institutions • • • (22p).
>
> "The defendant [petitioner] • • • does business through subsidiaries • • •. The subsidiaries are engaged primarily in the small loan business • • •" (23p).

Chief Judge Staley, writing for a unanimous Court of Appeals, said:

> "The characteristic which appears to make appellant [respondent] unique is that it offers to banks, lending institutions, and other holders of commercial paper a comprehensive plan of insurance • • •.
>
> "These [petitioner's] subsidiaries are engaged primarily in the small loan business (30-31p).
>
> "The parties in this case are not competitors; their businesses, however, are closely related. Plaintiff's [respondent's] principal complaint is that competitors of the defendants [petitioner] are potential purchasers of plaintiff's services and that because

> of the identity or similarity of names between the two, potential customers may avoid dealing with the plaintiff on the grounds that they might be aiding a competitor. This complaint is remediable * * *'' (36p).

Another important fact omitted from the petition is the relative unimportance of the name in suit to petitioner as contrasted with its great importance to respondent. Petitioner uses the name for some 145 subsidiaries (66-71a) out of 553 offices (23p). (Each office is a separate corporation [51a]). The name ''American Plan'' is not petitioner's first choice of the name of a corporate subsidiary; its first choice has always been ''American Finance'' (58a). It has no second choice; it uses ''American Loan,'' ''American Acceptance,'' ''American Budget'' or ''American Plan,'' wherever ''American Finance'' is not available (57-58a). It first used ''American Plan'' in 1958 in Mississippi only (56a). Except for one office in Louisiana, the name was not used again until 1962 (64-65a). (This action was commenced in 1963 [22p]). A change of name causes petitioner no increase in advertising expenses; its only cost would be for new stationery and signs (63-64a).

In sharp contrast, respondent has been known exclusively as ''The American Plan Corporation'' since 1948 (22p). Under that name it has built up a substantial business. In each of the last three years its net written premiums were between $22,000,000 and $32,000,000 (28-29a). The value to respondent of its name is demonstrated by the fact that the bulk of its business comes to it with-

out solicitation (28a, 31a) on recommendation of others (23p). Respondent's name has become very well known in the field it serves, lending institutions (28a). Respondent has advertised its name throughout the United States by direct mail, in financial publications and by maintenance of hospitality suites at conventions (23p). (Under these circumstances, it is of no significance that its "physical solicitation" of business is now limited to a few states [6p]; it formerly solicited in 48 states [31a].)

Petitioner's statement that respondent's Chairman of the Board admitted that "it was unknown" whether one of the individuals confused by the similarity of names was a prospective customer (6p) is misleading. The Chairman, Mr. Hart, testified that *he* believed the individual might be a potential customer, but did not know it for a fact (49-50b). This is of no significance, since Mr. Hart did not participate in the incident (47b). Mr. Pace, respondent's Vice President, was present and testified fully about the incident (45-47a, 69b). He stated flatly that the individual was a prospective customer (47a) and, on cross-examination, gave the reasons for such statement (69b). It is thus clear that respondent, through its Vice President, did in fact know the individual was a potential client.

Petitioner's statement fails to comply with Rule 23(1)(g) of the Rules of this Court requiring information as to the basis for federal jurisdiction in the court of first instance. Such basis herein is diversity of citizenship, 28 U. S. C. §1332(a). District Judge Steel stated that respondent is a New York corporation, that petitioner is a

Delaware corporation with its principal place of business in the District of Columbia, and that the amount in controversy exceeds $10,000 exclusive of interest and costs (22p).

Argument

Respondent respectfully submits (a) that this is not the type of case where certiorari should be granted and (b) that the decision of the Court of Appeals was correct.

(A) Certiorari Is Not Warranted

Nowhere in the petition is any effort made to show why this case is one where there are "special and important" reasons for granting certiorari within the meaning of Rule 19 of the Rules of this Court. Essentially, this is merely an action for unfair competition in the use of trade names, in which the District Court held that the facts presented by respondent were insufficient to establish its right to relief, and in which the Court of Appeals held the contrary and remanded the case for further proceedings (37p).

In *Magnum Import Company* v. *Coty*, 262 U. S. 159, 163 (1923), Chief Justice Taft said:

> "The jurisdiction to bring up cases by certiorari from the circuit courts of appeals was given for two purposes: first, to secure uniformity of decision between those courts in the nine circuits and, second, to bring up cases involving questions of importance which it is in the public interest to have decided by this court of last resort. The jurisdic-

> tion was not conferred upon this court merely to give the defeated party in the circuit court of appeals another hearing."

More recently, it has been stated that "this Court does not sit * * * for the benefit of the particular litigants." *Rice* v. *Sioux City Memorial Park Cemetery, Inc.*, 349 U. S. 70, 74 (1955), and that a writ of certiorari will be dismissed as improvidently granted when there is nothing in the case except the determination of ultimate facts "and their review would be of no importance save to the litigants themselves," *Rudolph* v. *United States*, 370 U. S. 269, 270 (1962), reh. den. 371 U. S. 854 (1962).

Respondent respectfully submits that the foregoing opinions precisely cover the instant case. No showing is made that there is an important question which the public interest requires this Court to review. Since this is a case in which federal jurisdiction exists solely because of diversity, a conflict among circuits would not be a reason for granting certiorari. *Ruhlin* v. *New York Life Insurance Company*, 304 U. S. 202, 206 (1938). Petitioner concedes that each case of unfair competition must be determined "on its peculiar facts" (18p). There is thus no more in this case than the application of common law rules of law to specific facts, "of no importance save to the litigants themselves."

Petitioner argues that the decision of the Court of Appeals is not "consonant with orderly and progressive economic growth" (19p). There is no showing herein that petitioner's growth will be thwarted if it is prevented from using respondent's name for its subsidiaries, par-

ticularly where such name is not petitioner's first choice and has been used by only a minority of petitioner's subsidiaries.

Just this term, this Court refused certiorari in a case where a man has been restricted in the use of his own name, *Findlay* v. *David B. Findlay, Inc.*, 385 U. S. —, (No. 479, Nov. 7, 1966). The instant case involves nothing of remotely comparable importance or public interest.

Furthermore, it has been repeatedly held that this Court will normally accept the determinations of Courts of Appeals on questions of state law.

Richards v. *United States*, 369 U. S. 1, 16, ftn. 35 (1962);

General Box Co. v. *United States*, 351 U. S. 159, 165 (1956);

Ragan v. *Merchants Transfer & Warehouse Company, Inc.*, 337 U. S. 530, 534 (1949);

Spiegel's Estate v. *Commissioner*, 335 U. S. 701, 707-708 (1949);

Huddleston v. *Dwyer*, 322 U. S. 232, 237 (1944).

Both courts below and both parties agree that this diversity case is governed by the Delaware conflicts rules and that under such rules, in the absence of any showing of any contrary law in the jurisdictions where the acts of unfair competition took place (and there was no such showing herein), the law of Delaware governs (7p, 24-25p, 32p). The Court of Appeals fully considered Delaware law (32-36p). There is no reason why, under the foregoing authorities, this Court should not accept the

determination of the Court of Appeals as to Delaware law.

Accepting such determination, there is nothing to review.

Finally, it should be noted that the judgment appealed from is not a final one, but remands the case to the District Court for further proceedings. This fact, in itself, is a sufficient ground for denial of certiorari.

Hamilton-Brown Shoe Company v. *Wolf Brothers & Company*, 240 U. S. 251, 258 (1916).

For all these reasons, it is respectfully submitted that, even if the decision of the Court of Appeals were wrong, which respondent denies, certiorari should not be granted.

(B) The Decision of the Court of Appeals Was Correct

Petitioner does not question the rule that when a trade name is arbitrary or fanciful, it is entitled to protection without proof of secondary meaning, *Telechron, Inc.* v. *Telicon Corp.*, 97 F. Supp. 131, 151 (D. Del., 1951) affd. 198 F. 2d 903 (C. A. 3, 1952). Similarly, respondent does not question the rule that proof of secondary meaning is essential when a name is geographic or descriptive, *Standard Oilshares, Inc.* v. *Standard Oil Group, Inc.*, 17 Del. Ch. 113, 150 A. 174 (1930). Accordingly, the first question is whether "American Plan Corporation" is (a) fanciful or arbitrary, or (b) descriptive or geographic.

In deciding this question of law and determining that the name in suit is fanciful or arbitrary, the Court of

Appeals relied on *American Radio Stores v. American Radio & Television Stores Corp.*, 17 Del. Ch. 127, 150 Atl. 180 (1930),* holding that "American Radio Stores" was entitled to protection without proof of secondary meaning; *Hamilton-Brown Shoe Company v. Wolf Brothers & Company, supra,* holding "American Girl," as applied to shoes, an arbitrary name; and *Dennison Manufacturing Co. v. Thomas Manufacturing Co.*, 94 Fed. 651 (D. Del., 1899), reaching a similar result as to "American Express" when applied to sealing wax (34p).

The Court of Appeals properly applied Federal as well as Delaware precedents, since Delaware generally follows the Federal law of unfair competition. *Taussig v. Wellington Fund, Inc.*, 313 F. 2d 472, 474, ftn. 2, (C. A. 3, 1963) cert. den. 374 U. S. 806 (1963).

In *Hamilton-Brown Shoe Company v. Wolf Brothers & Company, supra,* Mr. Justice Pitney, writing for this Court, stated at pages 256-257 of 240 U. S.:

> "We do not regard the words 'The American Girl,' adopted and employed by complainant in connection with shoes of its manufacture, as being a geographical or descriptive term. It does not signify that the shoes are manufactured in America, or intended to be sold or used in America, nor does it indicate the quality or characteristics of the shoes. Indeed, it does not, in the primary signification, indicate shoes at all. It is a fanciful designation, arbitrarily selected by complainant's predecessors to designate

* There is no basis for the statement in the petition that this case was interpreted by the District Court as supporting petitioner's position (14p). The District Court never referred to this case.

> shoes of their manufacture. We are convinced that it was subject to appropriation for that purpose, and it abundantly appears to have been appropriated and used by complainant and those under whom it claims."

This is precisely applicable to the instant case. "American Plan" does not describe respondent's insurance service or indicate that respondent is in the insurance business. Clearly, it is a fanciful and arbitrary designation and the Court of Appeals was correct in so holding.

Even if "American Plan" were not arbitrary, the Court of Appeals would have been right in vacating the judgment dismissing the complaint at the close of respondent's case. Testimony had been received that respondent's name was very well known in the field in which it sought customers, financial institutions (28a). This testimony had not been contradicted. Such testimony satisfied the requirement of showing secondary meaning as that phrase is defined in *Barton* v. *Rex-Oil Co.*, 2 F. 2d 402, 405 (C. A. 3, 1928), and in *G. & C. Merriam Co.* v. *Saalfield*, 198 Fed. 369, 373 (C. A. 6, 1912). Accordingly, if secondary meaning were required, it had been established.

The Court of Appeals held that the identity of names is itself evidence of likelihood of confusion (36p). This is implicit in this Court's statement in *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 381 (1926), that equitable relief is available both where names are identical and where "the resemblance is so close as to be likely to produce confusion." See, aso, *Telechron, Inc.* v. *Telicon Corp., supra*, 97 F. Supp. at 146.

Petitioner claims that the Court of Appeals "overlooked" two Delaware decisions on this question (14p). The first of these, *Federal Glass Co.* v. *Federal Glass Co.*, 104 F. Supp. 692 (D. Del., 1952), was considered by the Court of Appeals and found irrelevant (35p, ftn. 5). The other, *United States Plywood Co., Inc.* v. *United Plywood Corp.*, 19 Del. Ch. 27, 161 A 913 (1932), does not involve identical names, and was used by the Court of Appeals in reaching the conclusion that identity of names shows likelihood of confusion (36p).

In this connection, it should be noted that the Court of Appeals did not hold that the identity of names alone sufficed to warrant an injunction. It held that a less strict standard of proof is required when names are identical (35-36p) and that coupling the identity with the evidence of confusion produced in the District Court, respondent had "satisfied its burden of proving likelihood of confusion" (36p). There is thus presented, not a mere issue of law, but a question of whether specific evidence of confusion* satisfied respondent's burden of proving likelihood of confusion. Respondent submits that the Court of Appeals properly held that the burden had been satisfied, but in any event, this Court does "not grant a certiorari to review evidence and discuss specific facts," *United States* v. *Johnston*, 268 U. S. 220, 227 (1925).

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* A potential customer of respondent thought respondent was in the finance business, as petitioner's subsidiaries are (45-47a); respondent's bank account was credited with items belonging to one of petitioner's subsidiaries (38-39a); erroneous advice was given respondent that its bank account was overdrawn (40a) and advice was given to respondent by a borrower from one of petitioner's subsidiaries that the latter was "ruining your image" (78-81a).

Petitioner asserts that the Court of Appeals "erred in extending respondent's rights in the use of the term 'American Plan' in its insurance business to preclude the use of the term by all persons or corporations regardless of the nature of their business * * *" (16p). Respondent respectfully submits that the Court of Appeals made no such determination. The Court of Appeals did not deal with respondent's rights against anyone except petitioner. It could not decide and did not decide whether someone in a field wholly unrelated to the businesses of respondent and of its customers could use the name "American Plan." It recognized that the businesses of the parties "are closely related" (36p). It noted respondent's complaint that petitioner's competitors are respondent's potential customers and that the identity of names may cause such potential customers to refuse to deal with respondent for fear of aiding a competitor. It concluded that such a complaint was remediable (*id*).

In reaching this conclusion, the Court of Appeals relied on three cases, *E. I. DuPont De Nemours & Co.* v. *DuPont Safety Razor Corp.*, 32 Del. Ch. 156, 161, 82 A 2d 384 (1951), where it was said that a plaintiff is entitled to protection against danger to its reputation even though it was not in competition with defendant, *Taussig* v. *Wellington Fund, Inc., supra,* and *Ambassador East, Inc.* v. *Orsatti,* 257 F. 2d 79 (C. A. 3, 1958).* In each of the last

* *Taussig* v. *Wellington Fund, Inc.* was decided in 1963. These cases disprove petitioner's claim that the Court of Appeals applied "early federal precedents to the case at bar" (18p).

two cases, the Third Circuit had quoted (313 F. 2d at 478; 257 F. 2d at 82) with approval the famous words of Judge Learned Hand in *Yale Electric Corporation* v. *Robertson*, 26 F. 2d 972, 974 (C. A. 2, 1928), to the effect that an appropriation of one's name and reputation

> "is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful."

Petitioner respectfully submits that the Court of Appeals properly applied this doctrine to the instant case. Petitioner's business is clearly not so foreign to respondent's "as to insure against identification of the two." Respondent seeks business at finance conventions (26a) and in finance publications (25a). The record shows that at least one person thought respondent was in the finance business (46a); a witness, who specialized in obtaining insurance for banking institutions (33a), referred to an example of an insurance company wholly-owned by a finance company (35a) and testified that he had ceased doing business with such company because of such affiliation (*id.*) and would consider taking the same step as regards petitioner if he learned that *it* had become similarly affiliated (36a), because of a desire not to give ideas to a competitor and not to strengthen a competitor (36-37a). Most important of all, respondent's customers, like

petitioner's subsidiaries, are engaged in lending to the consuming public (22p, 23p, 30-31p) and are thus competitors. The natural desire not to help a competitor may well prevent lending institutions from giving business to respondent under the belief, induced by the identity of names, that respondent is affiliated with petitioner.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that the petition for a writ of certiorari should be denied.

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